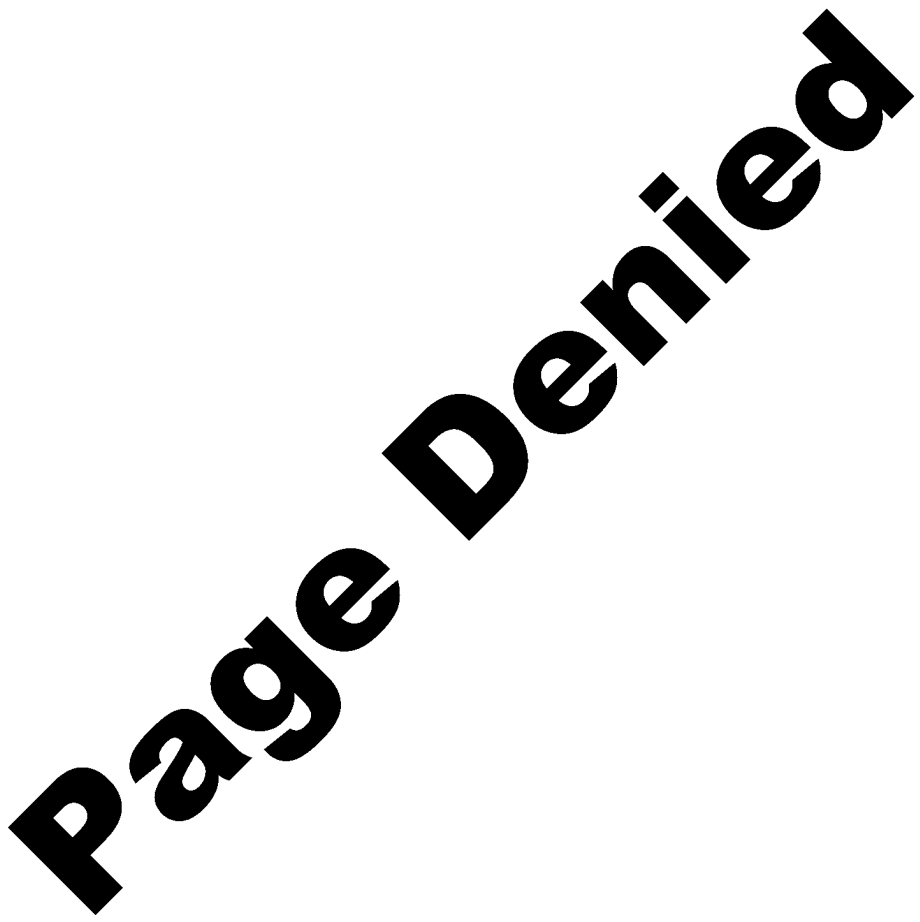

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# The Gulf Cooperation Council at Two Years

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**An Intelligence Assessment**

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*NESA 83-10062*
*March 1983*

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# The Gulf Cooperation Council at Two Years

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**An Intelligence Assessment**

This paper was prepared by Office of Near East–South Asia Analysis. Comments and queries are welcome and may be directed to the Chief, Persian Gulf Division, NESA,

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This paper was coordinated with the Directorate of Operations and the National Intelligence Council.

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# The Gulf Cooperation Council at Two Years

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## Key Judgments

*Information available as of 1 March 1983 was used in this report.*

Fear of Iranian aggression provided the impetus and the Iran-Iraq war the opportunity for the conservative Arab states of the Persian Gulf to form the Gulf Cooperation Council (GCC) two years ago. Oil rich, but militarily weak, the six members—Saudi Arabia, Kuwait, Qatar, Bahrain, the United Arab Emirates, and Oman—share many interests, but above all they are bound together by a common sense of vulnerability to external threats.

By virtue of its size and wealth, Saudi Arabia has assumed leadership. The Saudis are the strongest advocates of internal security and regional defense cooperation. The others generally follow Saudi leadership but try to minimize Saudi domination over their affairs.

Kuwait is the most independent member of the Council. It is most interested in closer economic cooperation and in keeping both superpowers out of the Gulf. The Kuwaitis also believe that diplomacy, sweetened by generous financial inducements, offers the Gulf states a better chance of survival than defense cooperation or strategic ties with the United States. This has placed them at odds with both the Saudis and Omanis over Council goals.

Scarred by their experiences in defeating a Marxist-led insurgency, the Omanis are the most vocal in warning against Soviet threats in the region. They look to the Council mainly as a potential source of financial aid for their defense program.

That the Council has survived in spite of these differences and competing interests is noteworthy. The last 30 years of Arab history are littered with the wrecks of other cooperation and unity schemes. We believe Gulf leaders have taken a measured, realistic approach that offers better prospects for success, at least on a modest scale.

Although cooperation in the defense, internal security, and economic spheres is expanding, we believe progress will be slow and uneven. To date, the Council's chief value to its members has been political and psychological. It has helped the smaller states in particular to resist heavyhanded Iranian pressure to adopt policies more to Tehran's liking.

Iranian hostility toward the GCC has recently spilled over into the international oil market. Iran has taken advantage of the softening demand for OPEC oil since 1982 to increase its market share at the expense of Saudi Arabia and the other Gulf Arab producers. In response, the Gulf Arab states are consulting closely on oil developments and coordinating their policies toward OPEC, with the goal of enforcing production quotas and adherence to official prices.

Economic cooperation and intelligence sharing appear to be beginning to bear fruit. The Council has ambitious plans for rationalizing economic development and could become a forum for devising joint foreign aid strategies. Regional defense cooperation will be much more difficult to achieve, given the rudimentary capabilities of each member's armed forces. The pace will be highly sensitive to external developments and perceptions of threat.

Competition for leadership, differences over strategic issues, and external pressures could still destroy the fragile cooperation these states have established. Despite their common fear of the Soviets as well as Iran and Iraq, there is no clear-cut consensus among Council members on strategic matters.

A successful GCC has positive implications for the United States, primarily that of strengthening and giving self-confidence to vulnerable, conservative regimes in the Gulf. Most Gulf leaders privately hope to benefit indirectly from the US buildup in the Indian Ocean but publicly wish to avoid charges of collaboration that would hurt them politically at home. Oman, therefore, is likely to continue to be pressed by its GCC partners to limit, if not reduce, direct military cooperation with the United States lest the GCC be perceived as a tool of the United States.

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# The Gulf Cooperation Council at Two Years

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## Origins

The Gulf Cooperation Council (GCC) was created in 1981 by Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman with the stated goal of "effecting coordination, integration, and interconnection between member states in all fields in order to achieve unity between them." Creation of the Council formalized the ad hoc, usually bilateral, cooperation and consultation among these states begun after the British decided to withdraw their military forces from the Gulf by 1971. The idea of a formal council was not new: the Amir of Kuwait first proposed such a grouping as early as May 1976.

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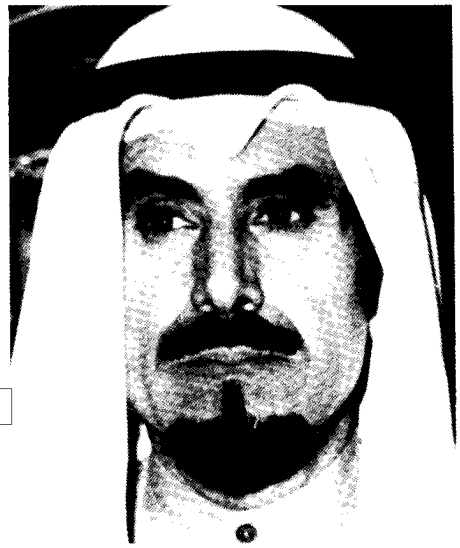
Council members are bound by common interests. The governments are conservative monarchies with links to the West, undergoing rapid changes financed by oil revenues. They are also militarily weak and the focus of increasing superpower attention. They face similar internal problems and external threats—principally from Iran—that endanger their security. One Kuwaiti official acknowledged that greater cooperation offers these regimes the best hope for survival.

Traditionally, the major impediment to more formalized cooperation has been Iran and Iraq's competing efforts to dominate the smaller states. During the 1970s the Gulf states feared Ba'thist, Iraqi-sponsored subversion but were also unenthusiastic about the Shah of Iran's self-proclaimed role as "policeman" of the Gulf. One Gulf official candidly admitted that the Gulf states still see Iraq as much a threat as revolutionary Iran and support Baghdad's war effort only to hold the Khomeini regime in check.

The Iran-Iraq war, which began in September 1980, presented the conservative Gulf states with the opportunity to form the GCC without Iraq or Iran. Baghdad was reluctant to oppose the GCC publicly because it needed political, financial, and logistic support from the Gulf states for the war. The Gulf states used the war as an excuse to exclude Iraq,



*Kuwaiti Amir Jabir al-Ahmad*

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maintaining the fiction in public that the organization was neutral on the war and not directed against Iran.

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With pride, Kuwaiti leaders view the GCC as their creation. Kuwaiti Amir Jabir al-Ahmad suggested the idea at the Arab summit meeting in Amman in November 1980. A Kuwaiti memorandum became the basis for agreement on the structure of the GCC, and creation of the Council was announced on 4 February 1981 at a meeting of the members' foreign ministers in Riyadh. At the first summit meeting of GCC chiefs of state in May 1981, Abdallah Bishara, a Kuwaiti diplomat, was named Secretary General—an acknowledgment of Kuwait's founding role.

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Saudi Arabia's size, wealth, and population make it the natural leader of its smaller Gulf neighbors, who in turn often look to Riyadh for leadership while simultaneously trying to avoid Saudi domination of their affairs. The Saudi leadership role in the GCC

## Gulf Cooperation Council Members


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*Secretary General Abdallah Bishara*

was acknowledged by the location of its headquarters in Riyadh. The majority of employees in the Council's secretariat are Saudi nationals.

**Organization** [1]

The highest body in the GCC is the "Supreme Council," composed of chiefs of state who normally meet once a year in November. The presidency of the Council rotates annually among the chiefs of state. The main purposes of the Supreme Council are to decide GCC policies on major issues and to review, and if appropriate approve, the recommendations, reports, or projects submitted to it by the Ministerial Council. Disputes over interpretation or implementation of the GCC charter are referred to a Commission for Settlement of Disputes, which reports to the Supreme Council.

The Ministerial Council, the second-highest body of the organization, is composed of foreign ministers. It meets every three months, with its presidency also rotating among the members quarterly.

The Ministerial Council sets the agenda for the annual Supreme Council meeting. Its other important functions are to:

- Propose policies to further cooperation and coordination, mostly in foreign affairs.
- Evaluate policy proposals developed by more technical specialized committees before submitting them, with recommendations, to the Supreme Council for appropriate action.

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All other meetings, such as those held periodically by defense, interior, petroleum, or economic ministers, are considered to be meetings of "technical experts"; their decisions or recommendations must be approved by conferences of the foreign ministers or chiefs of state. Decisions or recommendations approved by the foreign ministers can be implemented without awaiting a summit conference. Reflecting the increasing importance of internal security and defense issues, the summit meeting in November 1982 considered a proposal to establish a permanent mechanism for improving coordination in these areas.

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The secretary general is responsible for the operation of the GCC secretariat—the organization's growing bureaucracy. The secretary general is appointed by the Supreme Council for a three-year term, renewable only once. The secretary general can nominate assistant secretaries general, also for renewable three-year terms, who in turn must be approved by the Ministerial Council. Ambassador Ibrahim al-Subhi, an Omani, is Assistant Secretary General for Political Affairs, and Dr. Abdallah Quwayz, a Saudi, is Assistant Secretary General for Economic Affairs. Kuwait is often at odds with Oman on political and military issues, and Subhi's appointment was probably designed to balance Bishara as Secretary General. Quwayz, who was also simultaneously a Deputy Minister of Finance in the Saudi Government until mid-1982, was presumably appointed because of Saudi preeminence in the grouping.

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The main functions of the secretariat are to:

- Prepare studies or proposals for the member states and the Ministerial Council.

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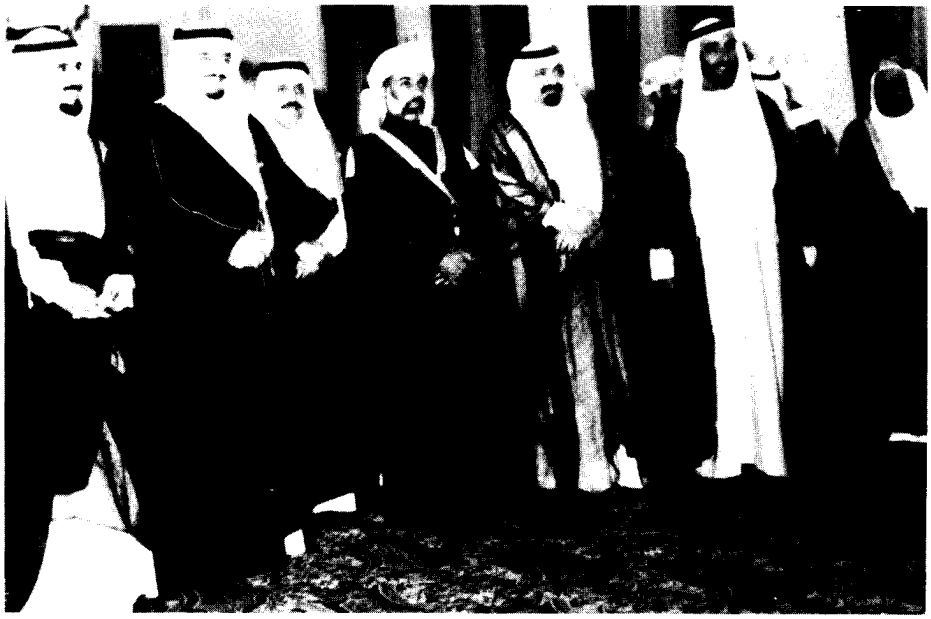

*GCC summit leaders: (left to right) Kuwaiti Amir Jabir; Saudi King Fahd; Saudi Interior Minister Nayif; Omani Sultan Qaboos; Qatari Amir Khalifa; UAE President Zayid; Bahraini Amir Isa*

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- Organize agendas for technical or specialized committee meetings throughout the year.
- Follow up on implementation of the Supreme and Ministerial Councils' resolutions and recommendations by the member countries.

The GCC secretariat, headquartered in Riyadh, plans to expand to about 200 employees this year. At present it has about 120 employees, and recruitment appears to have slowed. All employees must be citizens of one of the member countries.

There are six sections in the secretariat, in addition to the secretary general's immediate staff. The two sections of primary interest to outsiders are Political Affairs (which includes military and internal security matters) and Economic Affairs. The other sections are Information, Finance and Administration, Legal Affairs, and Man and the Environment (see organization chart).

The political section was slow to develop. According to Embassy this was initially because the member states, particularly Kuwait, did not want to emphasize military and internal security matters for fear of offending Iran and Iraq. After the Iranian-backed coup attempt in Bahrain in December 1981, however, the threat of Iranian subversion made defense and internal security issues the prime focus of concern for the leaders of the GCC states. The political section is working mainly on:

- Resolving Kuwaiti-Saudi differences over a Saudi proposal for a multilateral security pact covering cooperation in police and intelligence matters.
- Planning for regional integrated military defense cooperation—especially air defense.

The Saudis are taking the lead on both issues. Internal security, mutual defense, and political integration are inherently sensitive topics for the member countries. Most of the negotiations are carried out by the respective government leaders with only minimal participation by the GCC secretariat staff.

The initial focus of the GCC was on economic matters. The Economic Affairs section of the secretariat developed more rapidly and was more active than the others and has shown the most progress to date. A proposed Unified Economic Agreement was drawn up in June 1981 and sets ambitious plans for eventual integration of the members' economic, commercial, and monetary policies. This agreement was ratified at the summit in Manama in November 1982 and began to take effect on 1 March 1983.

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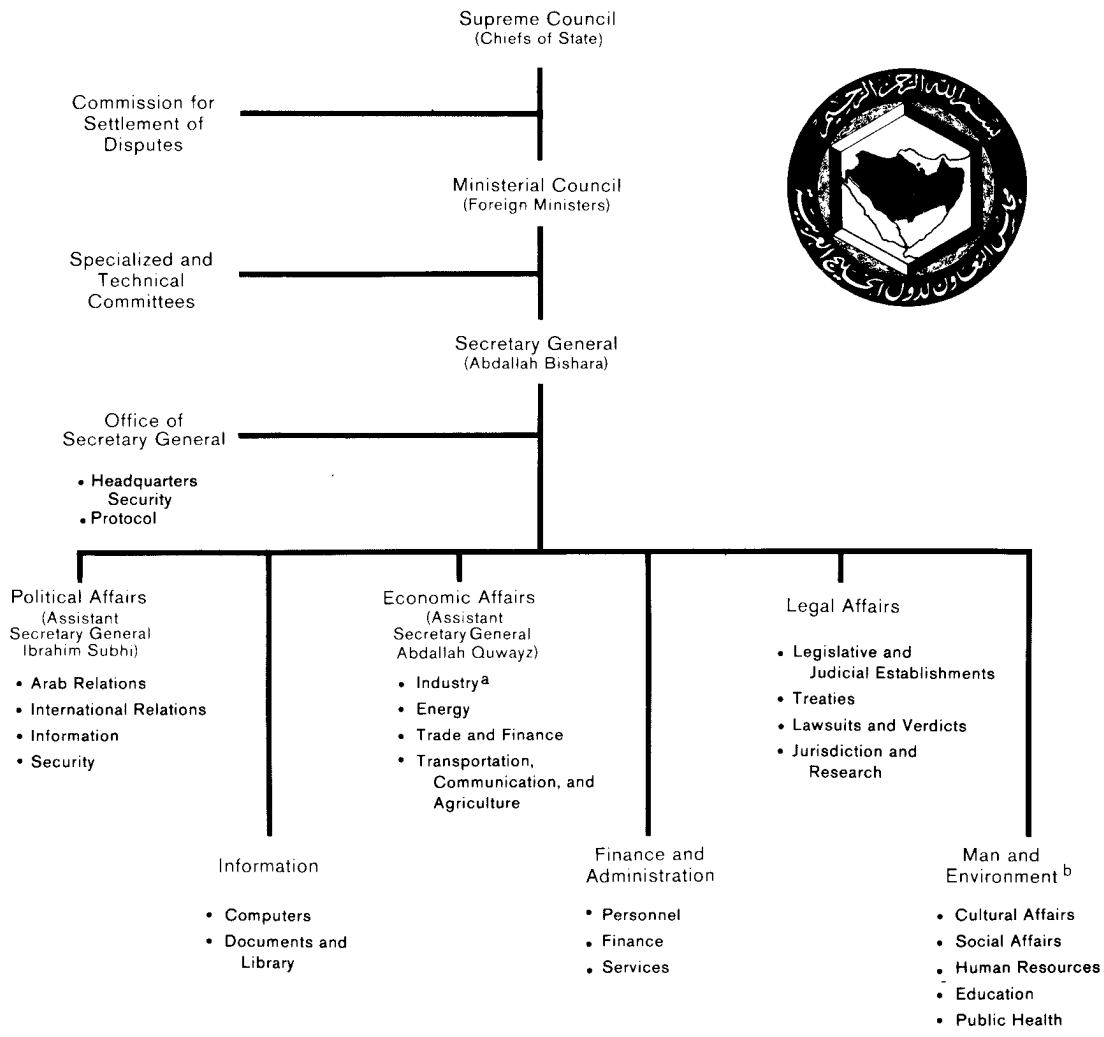
# Gulf Cooperation Council




a) Economic Section reorganized in December 1982; each unit to be headed by Deputy Assistant Secretary General.

b) This section still in embryonic stage.

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As a result of the proliferation of ministerial and subministerial committees and ad hoc working groups, Secretary General Bishara approved in December 1982 the division of the economic section into four specialized units: industry; energy; trade and finance; and transportation, communications, and agriculture. The US Embassy in Riyadh reports that each apparently will be headed by a deputy assistant secretary general. A Bahraini reportedly is in line for the key trade and finance position, and an Omani is slated for the energy portfolio. 25X1

Of the other secretariat sections, Legal Affairs plays an essential behind-the-scenes role in researching and reconciling differing national laws and regulations, particularly for economic agreements. The Information section manages the computers and word processors evident in every GCC office and a small but impressive library. The purpose of the Finance and Administration section is self-evident, and the Man/Environment section is still in the embryonic stage but will focus on educational, health, cultural, social, and labor issues.

**Political Dynamics Within the Council**

A senior GCC official told US Embassy officers in 1982 that he foresaw the GCC as achieving greater cooperation first in economic matters, followed by internal security, defense, and perhaps ultimately political matters. The Council's experience to date has borne out his prediction. Initial progress on economic subjects has been impressive, if relatively easy, but differences, occasionally sharp and acrimonious, have emerged over internal security and defense issues. Saudi Arabia, Kuwait, and Oman are the most active members of the Council; each emphasizes different goals for the organization. According to press, Embassy, Saudi-Kuwaiti differences have emerged over a Saudi-sponsored multilateral internal security pact, and Omani-Kuwaiti differences highlight the range of views within the GCC on defense and foreign policy matters.

*Saudi King Fahd bin Abd al-Aziz* Sygma © 25X1

The other Council members—the UAE, Bahrain, and Qatar—play more passive roles in GCC deliberations. A major factor in the appeal of the GCC to these smaller states is that it allows them to continue their usual practice of following the Saudi lead on most issues but does not compromise their sovereignty in the process. 25X1

The table on pages 8 and 9 summarizes each member's position on the major issues facing the GCC. 25X1

**Major Policy Concerns: Accomplishments and Issues**

***Military.*** Efforts by the GCC members to improve their joint military posture began in earnest after the unsuccessful Iranian attempt to subvert Bahrain in December 1981. Initial publicity about a proposed GCC rapid deployment force or development of a weapons manufacturing capability gave the impression of an unfocused, scatter-gun effort, but most of these proposals now appear to have been postponed indefinitely or are mentioned in more realistic terms. 25X1

Instead, under Saudi prodding, the GCC military planners are focusing on two areas:

- Assessing requirements and providing funding to augment the defense capabilities of Bahrain and Oman, the Council's poorer members.
- Agreeing on and beginning to implement an ambitious, long-range, multiphased plan to upgrade Gulf military forces, particularly in air defense.

Progress is being made but is slow and occasionally marred by intra-Council disagreements.

An issue that lies at the root of some of the differences over defense and foreign policy within the Council is Saudi Arabia's close political and military relationship with the United States. In 1981 King Fahd (then Crown Prince) made no secret to US officials that Saudi policy in the GCC would be to promote greater friendship with the United States and wariness toward the Soviet Union. Some of the other members, led by Kuwait, are concerned that the organization not be seen as too closely linked with the United States, particularly in military matters.

GCC military teams, headed by a Saudi general, were sent to Oman (January 1982) and Bahrain (February 1982) to assess defense needs and make recommendations. The teams recommended that Oman receive funds for tanks, air defense aircraft, surface-to-air missiles, and naval vessels such as minesweepers for coastal defense, particularly in the strategic Strait of Hormuz. Bahrain's needs were primarily in air defense. At the November 1982 summit, GCC leaders approved their defense ministers' proposals that Oman be given approximately $1.8 billion and Bahrain approximately $1.2 billion to fund these improvements.

As with much of GCC efforts in the defense field, however, this summit decision is probably not so final or clear cut as it appears. With budgetary problems of their own, the Saudis insisted that the funding be stretched out over 12 years, meaning that the defense improvements will be slow and that politically motivated delays or lapses in transfers of funds are possible. This will probably not trouble Bahrain, whose government is close to both the Saudis and Kuwaitis and amenable to their suggestions, but it could affect the more independent Omanis.

The Omanis insist that the GCC should transfer the funds without conditions. This attitude conflicts with the traditional Saudi and Kuwaiti desire to oversee how their funds are spent. More important, a major goal of Saudi efforts to promote regional defense is to coordinate arms purchases to maximize compatibility and "commonality" of equipment. The Omanis, to date, are insisting that they will buy British, while the rest of the GCC members favor US or French equipment. The Saudi insistence on stretching the GCC funding over 12 years rather than transferring it in a lump sum obviously gives Riyadh and the rest of the GCC members considerable leverage over Muscat's choice of weapons systems. 25X1

Another possible snag might come from publicity about future Omani-US joint military exercises such as the recent Operation Jade Tiger. The Kuwaitis are the most vocal critics of Omani participation in such exercises, but the other Council members share, in differing degrees, the Kuwaiti nervousness. The Kuwaitis undoubtedly hope that GCC financial aid for military purchases will encourage Oman to reduce or at least limit its military ties to the United States. While Oman is unlikely to accept such strings on GCC aid, it will want to be as discreet as possible about its US connection. A senior Omani official in the GCC secretariat told US officials last October that other GCC members had threatened to ostracize Oman and withdraw their aid offer if joint US-Omani military exercises received publicity. The funds were ultimately approved at the summit, but the threat remains and the funds could still be cut off.

According to Embassy 25X1
some younger, nationalist Omani officials are not entirely unhappy with GCC pressure to minimize the US military presence. It provides them with leverage to urge the United States to keep a low profile, and they can exploit the criticism to extract further financial assistance from the United States as compensation for use of their military facilities.

Finally, Oman justified its requests for GCC aid mostly by citing the continuing threat from South Yemen. Should the Aden government continue to

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## Major Issues Before the Gulf Cooperation Council

| | Defense | Internal Security | Economic | Other |
|---|---|---|---|---|
| Saudi Arabia | Leader in promoting regional defense cooperation, especially air defense program built around equipment compatible with AWACS. | Promoting multilateral internal security pact to counter common subversive threats; Kuwaiti objections have stalled regional pact, but Saudis signed bilateral agreements with Bahrain, Qatar, UAE, and Oman after December 1981 coup attempt in Bahrain. | Favors coordination of petroleum pricing, production, and planning policies, designed to strengthen Saudi position vis-a-vis OPEC radicals. | Often mediates disputes between Council members. |
| Kuwait | Lukewarm at best to defense cooperation; believes such moves risk antagonizing Council's powerful enemies and that diplomacy/generous financial aid more effective in deterring aggression; most outspoken critic of US-Omani military ties. | Only member to refuse to sign Saudi draft for multilateral pact; has more liberal legal and social system than Saudi Arabia and objects to clauses giving Saudis right to extradition and hot pursuit. | Strongest proponent of economic cooperation; focus on modest, pragmatic, and attainable goals. | Vulnerability to external and internal (large Palestinian population) threats dictates nonaligned posture with slight tilt toward Arab radicals and Soviet Union; tries to avoid antagonizing Iraq, Iran, USSR, and its allies. |
| Oman | Fully supports regional defense cooperation; at November 1982 summit was allotted $1.8 billion over 12 years for purchase of military equipment; most vocal in warning of Soviet or surrogate threat to Gulf states; providing access to facilities for US to counter Soviet presence in region. | Fully supports. | Wants GCC to focus on defense and security rather than economic cooperation, but hopes Council will support industrial development; shares other small members' fears of Saudi and Kuwaiti domination of local economy. | Has few Palestinians, geographically distant from Arab-Israeli conflict, and traditionally aloof from intra-Arab politics, giving it fewer reservations than other members about cooperation with US on security matters. |
| United Arab Emirates | Supports concept of regional cooperation, but fears Saudi domination of UAE military policy; closer to Kuwait's than Oman's position on military cooperation with US, but wants to buy US aircraft; sees GCC offering implicit US military protection—because of US ties to Saudi Arabia and Oman—without domestic penalties of more explicit US-UAE military relationship. | Follows Saudi lead, but also tries to placate Tehran because of close trading ties to Iran and 40,000 resident Iranian Shias, many Khomeini supporters. | Publicly supports GCC goals, including freedom of trade between members, but in February 1982 erected barriers to foreign investment designed to protect Emirate businessmen from wealthy Saudis and Kuwaitis. | |

**Major Issues Before the Gulf Cooperation Council (Continued)**

| | Defense | Internal Security | Economic | Other |
|---|---|---|---|---|
| Bahrain | Traditionally most responsive to Saudi lead; allotted $1.2 billion over 12 years for military purchases at November 1982 summit; hosts small US Navy unit. | Target of unsuccessful Iranian-sponsored coup attempt in December 1981; 65 percent of population is Shia; cooperates closely with Saudis on security issues. | Enthusiastic supporter of economic cooperation; hopes to capitalize on modern infrastructure to host Council development projects; banking and service center of Gulf. | |
| Qatar | Generally follows Saudi lead; military ties closer to French and British than US. | Follows Saudi lead, despite some misgivings about Saudi heavyhandedness in pushing multilateral pact. | Follows Saudi lead; little known on specific views. | |

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moderate its policies or should Kuwaiti efforts to reduce the longstanding Omani–South Yemeni hostility lead to genuine rapprochement, it would weaken the rationale for Oman's military buildup.

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The funding for Oman and Bahrain complements the GCC's effort to develop a regional integrated defense strategy focusing on air defense. The Saudis are pushing a five-phase plan, which, if ever fully implemented, would result in unification and integration of GCC forces beyond that achieved by the NATO countries. Given the rudimentary state of most military forces in the region, this goal is more than a decade away from realization. Although the Saudi plan apparently has not been formally approved as official GCC policy, the Council appears to be serious about trying to implement stages 1 through 3. The stages are:

*Stage 1.* Each member country is to conduct a threat analysis and survey of existing military equipment; this is already under way.

*Stage 2.* A "short-term fix"—each country is to make minimum acquisitions of equipment to fill the most pressing gaps in individual defense needs as identified in stage 1. A GCC military secretariat is to be established, and each country is to try to link its existing radar and SAM networks.

*Stage 3.* Members are to purchase compatible or common equipment wherever possible as part of a comprehensive buildup and standardization of weapon systems. All the states but Saudi Arabia need to upgrade their air forces. It appears unlikely at present that all states will agree to purchase the same kind of aircraft. It is more likely that they will agree on a common radar and command, control, and communications network. The Saudi AWACS are seen as an integral part of the GCC command and control system.

*Stage 4.* Planning and command of individual GCC air, land, and sea forces are to be centralized. This stage is similar to NATO's level of cooperation and, if ever attained, will be many years in the future.

*Stage 5.* Total unification and integration of all GCC military forces under one central command. Presumably this would occur in concert with unification of the GCC states into one political entity. In theory, this is the ultimate goal of the GCC, but Council leaders, mindful that all previous Arab efforts at unity have ended in failure, have been careful to be realistic in discussing what the organization can be expected to accomplish.

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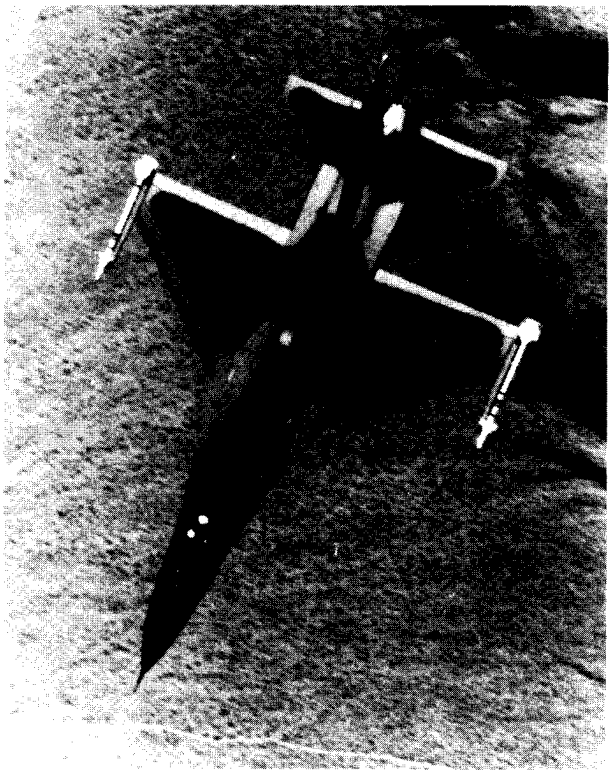

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GCC officials appear fully aware of the considerable hurdles their constituent military forces face in trying to implement such ambitious plans. A senior GCC official responsible for military matters has repeatedly told US officials that GCC members are determined to move slowly and carefully and only after thorough study.

GCC members' pending decisions on purchases of more advanced air defense aircraft will provide an early test of their ability to subordinate individual interests and coordinate their defense plans. In November 1982 Bahrain turned down a US offer of the F-5G aircraft (recently redesignated the F-20) and requested the F-16A instead, insisting that it is the only US jet that Kuwait, Qatar, the UAE, and possibly Oman would consider as an alternative to European aircraft. Currently these states are also considering the French-built Mirage 2000 or F-1, but Oman has been adamant in wanting the Tornado, which the British are promoting and helping to build. Saudi Arabia and Kuwait have recently warned the Omanis that GCC aid will be used to fund the purchase of a US aircraft or the Mirage 2000, but not the Tornado.

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Given their disparate political and commercial ties to the West, it is doubtful that these states would all agree on the F-16A, even if it were offered. Oman might bow to financial pressure, but Kuwait in particular has strong doubts about the United States as a reliable arms supplier, as well as objections to the GCC becoming too closely identified with the United States. In January 1983 Kuwait announced the purchase of 12 more F-1s, which will bring its inventory of these aircraft to 27. Kuwait presumably is still interested in the Mirage 2000. Qatar and probably the UAE are also likely to buy French aircraft.

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Different kinds of aircraft would degrade but not cripple the GCC goal of "commonality" of equipment. More critical is that the command, control, and communications systems in each country be compatible. The Saudis are installing US equipment for their command and control network, which will form the backbone of the larger GCC network, and Riyadh can be expected to push the other states to buy the same or similar US equipment. Because the command, control, and communications equipment is a less visible political symbol to the governments and their publics than aircraft sales, there is likely to be less concern on the part of countries like Kuwait about buying American.

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The concept of a GCC quick-reaction force is under study but appears limited to identifying which units in each army could be sent to the aid of a Council member in an emergency. Integration of units or commands is not yet envisaged for this force, but some GCC countries hope that joint training of the designated units could begin this year, according to Embassy reporting.

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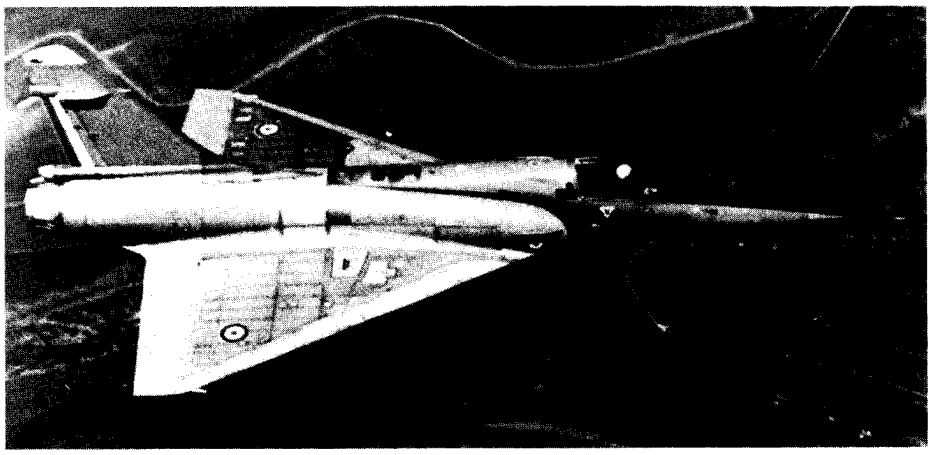
**Internal Security**

The Gulf interior ministers and police officials have cooperated informally for several years, but the Council provides a formal, multilateral framework for enhanced cooperation. As in the case of GCC defense

*Mirage 2000*



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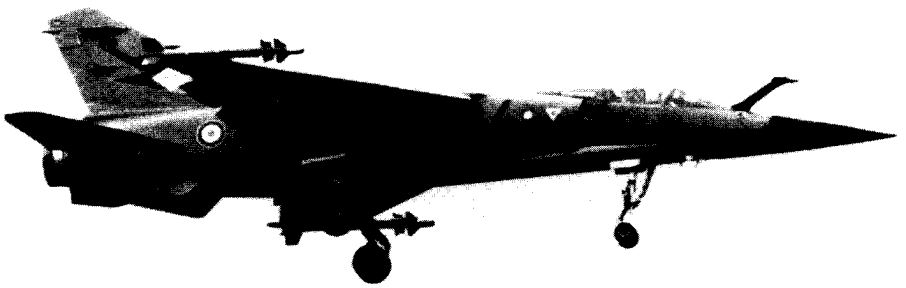

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planning, it took Iran's involvement in the December 1981 coup attempt in Bahrain to spur action to counter the threat of externally inspired subversion.

Saudi Interior Minister Prince Nayif bin Abd al-Aziz is the principal figure in GCC efforts to improve security cooperation. Since the coup attempt, Nayif has persuaded Bahrain, Qatar, the UAE, and Oman to sign bilateral security agreements covering exchanges of police information, regulation of border procedures, and extradition of criminals. Nayif also announced that Saudi Arabia wanted to sign a similar agreement with Kuwait and that the GCC members should then sign a more comprehensive multilateral agreement.

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The more important clauses of the Saudi draft multilateral security pact commit each GCC country to:

- Abstain from giving refuge to criminals or opponents of a member regime.
- Forbid circulation of pamphlets critical of ruling regimes of member countries.
- Exchange information and expertise on crime fighting and on wanted persons.
- Unify laws on immigration, passports, residency, and nationality.
- Combat smuggling and infiltration across borders and permit border authorities in "hot pursuit" to chase fugitives up to 20 kilometers into a neighboring country.

Fourteen of the 39 clauses in the draft give procedures and regulations on extradition. Persons charged with "political crimes" could not be extradited, but what constitutes such a crime is not described. The draft specifies, however, that sabotage, terrorism, and murder are not political crimes and, therefore, are extraditable offenses. Also extraditable are: "financial assault" against leaders of the member countries, or

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*Saudi Interior Minister Nayif bin Abd al-Aziz* [redacted] Franz Furst ©

any unspecified "assault" against royal family members, government ministers, and anyone else who is a member of the ruling establishment. Members of royal families are exempt from extradition if they are given immunity by their government—which is standard practice in the Gulf countries. [redacted]

Prince Nayif's goal for a GCC-wide pact has been frustrated to date by Kuwaiti refusal to sign. Kuwait has raised strong objections to the extradition clauses because it fears they would give the Saudis a pretext to interfere in Kuwait's internal affairs. Kuwaiti leaders also believe they would encounter stiff opposition to such a treaty in its present form if it were submitted to their elected national assembly. [redacted]

Saudi interest in extradition rights is motivated by political as well as anticrime considerations. The Saudis' concern about Kuwait's tolerance of political activity is not unfounded. After the attack on the Mecca Mosque in 1979, the Saudis discovered that the Juhayman group had lived in Kuwait prior to the attack, organizing, proselytizing, and printing their literature. According to the Kuwaitis, the Saudis now believe that other dissidents may be using Kuwait as a haven, and Riyadh would undoubtedly like to extradite them. [redacted]

The Saudi draft remains "under negotiation" and presumably will be reconsidered at the next interior ministers meeting. [redacted] 25X1
Kuwaiti opposition to the extradition clauses is hardening and that some other GCC members share the Kuwaiti dislike for Saudi heavyhandedness in pushing the issue. In spite of these hurdles, the GCC probably will eventually agree on some form of multilateral security pact. [redacted] 25X1

At their meeting in November 1982, GCC interior ministers agreed to establish uniform rules to control immigration and the movement of foreign workers and to study a proposal to create a centralized security information exchange to assist in this effort. The member states, particularly Kuwait, the UAE, and Qatar, are concerned about the possibility of subversion by the large numbers of expatriates in their countries. Presumably the security center would be based in Riyadh, in association with a Ministry of Interior computer center currently under construction, which is designed to keep track of all foreign workers in Saudi Arabia and related security information. [redacted] 25X1 25X1

[redacted] 25X1 25X1

agreed earlier in 1982 to adopt policies designed to reduce the number of Palestinians in each member country. This policy was to remain secret, but one senior PLO official in April 1982 publicized the agreement and condemned it in harsh terms. In late fall 1982, Kuwait was the first to try to implement the policy, [redacted] but tried—unsuccessfully—to disguise the real motive by imposing tighter restrictions on all foreign workers. What action local Palestinian organizations will take in response is not known, but they can be expected to resist any effort by the GCC states to expel Palestinians, particularly after the Israeli invasion of Lebanon deprived them of using that country as an alternative home. [redacted] 25X1 25X1 25X1 25X1

**Economic**

The GCC states have put more effort into economic matters—the publicly stated reason for founding the GCC—than any other field. In its two-year existence, 25X1

numerous ministerial and subministerial meetings have been held to address the practical problems of integrating the members' economies, industrial development, labor, petroleum, and planning policies. The cornerstone of these efforts is the Unified Economic Agreement ratified at the November 1982 summit. The agreement sets ambitious goals for coordination and eventual unification of economic, financial, and monetary policies, along with commercial and industrial legislation and customs regulations. Implementation of this agreement officially began on 1 March 1983 with the elimination of most customs duties between GCC member states.

The GCC states hope eventually to create a Gulf "common market." Highlights of the agreement indicate its scope:

- Unification of oil policies vis-a-vis OPEC (largely in effect now).
- Elimination of customs duties on trade between member countries and unification of customs duties on non-GCC goods (began 1 March 1983).
- Coordination of foreign aid programs.
- Coordination of financial, monetary, and banking policies with the ultimate goal of establishing a common currency.
- Allocation of industries and infrastructure projects among member states according to economic feasibility.
- Equal treatment of all GCC citizens by each state in regard to freedom of movement, work, residence, economic activity, and rights of ownership.
- Free transit of any member country's goods to other member states.
- Coordination of import/export policies and development of collective trading positions on goods and services bought from abroad.
- Coordinated buildup of strategic foodstores.

Potentially, the Unified Economic Agreement could have a far-reaching impact on the economies of the member states. Senior GCC officials admit, however, that implementation of the accord's ambitious principles will take many years, if not decades. The agreement is largely "an agreement to agree," with the practical measures to implement specific goals still to be negotiated.

The agreement will have its costs as well as benefits, and its impact is not likely to be evenly spread or universally welcomed. Slippage of the implementation date from December 1982 to March 1983 indicates that some Council governments and their private interests have had second thoughts about implementation without more thought and planning about its potential impact. Some of the smaller members are concerned that elimination of tariffs on trade between GCC member states will favor wealthy Kuwaitis and Saudis, with their greater capital resources, at the expense of their own business establishments. Oman, one of the least developed members, has requested and will probably be granted a one-year "limited exemption" to the elimination of tariff barriers in order to permit some of its fledgling industries to develop further before being exposed to competition from other Council members. 25X1 25X1

Agreement has been easier to reach on a common external tariff and joint procurement of foodstuffs. In late December, Council finance ministers agreed on a three-stage external tariff system, to be phased in gradually until it becomes effective on 1 January 1986. The tariff will impose a duty as high as 20 percent on non-GCC imports competing with GCC products. At the same time but on a separate front, a special committee representing four Council members negotiated a joint purchase of rice from Pakistan, presumably at a favorable price. This was the first joint procurement effort by the GCC. The purchase was widely publicized, no doubt to impress upon the general public the Council's ability and desire to improve the lot of the average citizen. A secretariat official admitted, however, that the potential savings from future joint procurements of foodstuffs are likely to be slight because of the large number of suppliers available and market-determined prices. 25X1

Finally, the November 1982 summit approved creation of a Gulf Investment Corporation, to be funded equally by the six member states to a total of $2.1 billion. The corporation is intended to fund direct and portfolio investments in both developing and developed countries. 25X1 25X1 25X1

**Foreign Relations**

GCC members have not yet attempted to develop a comprehensive, joint foreign policy. No single official in the GCC secretariat is responsible for foreign policy. Rather, the annual summits and quarterly foreign ministers' meetings provide a forum for the participants to exchange views and to try to formulate a joint approach to external problems. Communiques issued after the recent summit and foreign ministers' meetings have addressed both problems of immediate concern to the Council members—principally the Iran-Iraq war—and of more general concern to the Arab world.

On Gulf matters, the last summit communique announced that the leaders:

- Discussed with "great anxiety" developments in the Iran-Iraq war, particularly Iran's crossing of the border, and the threat this represented for the Arab nation.
- Called on Iran to respond to mediation efforts.
- Hailed the recently concluded Oman–South Yemen accord.

Following the summit, the Bahraini Foreign Minister held a press conference and made the following additional points:

- Iranian border crossings into Iraqi territory were a serious development with implications for Arab League charter commitments, but this problem would be discussed at the Arab League level.

- Financial support of member states for Iraq is a bilateral issue; reparation payments to Iran is not a matter for GCC discussion.

- GCC countries support mediation efforts to end the Iran-Iraq war, whether carried out via the United Nations, Islamic Conference Organization, Nonaligned Movement, or by countries with special relations with both sides.

In January 1983 an Omani official told the US Ambassador in Kuwait that a secret decision was also taken at the Manama summit to freeze GCC financial aid to South Yemen (funded primarily by Kuwait and the UAE) until Aden improved its relations with its peninsula neighbors and lessened its dependence on the USSR and its East European allies. 25X1

On issues of concern beyond the Gulf, Council leaders seem to place high importance on appearances; they want to avoid giving the impression that the organization is a cabal of rich, conservative states. Kuwaiti objections to creating the perception of a too visible GCC "bloc" within the Arab League led to an early dispute with the Saudis. In 1981 Saudi leaders confidently predicted in private talks with US officials that the other Council members would endorse the Fahd peace plan at the GCC's November summit, after which they intended to present it as a "GCC peace plan" to an Arab summit in Fez, Morocco. The Kuwaitis, however, played the spoiler and refused to endorse the plan, arguing that the Council should not be perceived as a bloc within the Arab world on sensitive issues such as the Palestine conflict. The Fahd plan was not accepted at the 1981 Fez conference, but, after it was revised, it was accepted as the "Arab peace plan" at a second Fez summit in September 1982. 25X1

Since that Saudi-Kuwaiti incident, the GCC members have sought to avoid the appearance of acting as a bloc to influence Arab affairs. The 1982 GCC summit communique expressly supported Moroccan King Hassan's efforts to promote the "Arab peace plan" outside the Arab world, but it otherwise limited itself to generalities in expressing full support for all Arab summit decisions. The Council leaders also repeated standard language on Palestine and affirmed full support for the PLO and Lebanese sovereignty in the aftermath of the Israeli invasion 25X1

**Prospects**

For all the obstacles it faces, the GCC is the most promising effort at unity attempted by the Arab governments since World War II and should be judged a net plus for its members as the organization celebrates its second anniversary. 25X1

The usefulness and accomplishments of the GCC should be viewed on two levels. At one level, the importance of the increasing consultation and coordination to both GCC members and their potential foes

is psychological. Appearances are important in the Arab world, as elsewhere. Without the Council, its members might appear to be a disparate collection of small, weak, often quarreling states, vulnerable to Iranian subversion or outright attack. Instead, whatever the reality, the GCC has enabled its member governments to create the image of a vital, self-confident, and forward-looking organization. If the organization can maintain this image and momentum, the psychological advantages of the Council may prove as valuable to its members as its concrete accomplishments in the military, security, and economic fields.

On another level, the Council has made slow, uneven, but genuine progress in several areas. Where other Arab states have proclaimed total unity without first considering local problems and obstacles, the GCC states have been conscious of the need not to overpromise or to undertake more than they can handle. The slippage in implementation dates for the Unified Economic Agreement and the delays in agreeing to a multilateral security pact reflect a healthy realization that even initial, seemingly simple, steps toward greater cooperation can raise difficult economic, commercial, and political obstacles. The members appear dedicated to overcoming these obstacles.

Progress is likely to remain slow and uneven. Of the three major fields of GCC endeavor—military, security, and economic—cooperation between the security services will probably be the first area to show concrete results. Police and intelligence exchanges have already improved among Council members, and the multilateral security pact could be implemented quickly once Saudi-Kuwaiti differences are resolved.

Proponents of the GCC believe that the organization's ability to demonstrate benefits from economic integration will be the key to enlisting popular support. The speed of economic cooperation will depend largely on the willingness of GCC leaders to implement measures that, in some cases, will be unpopular with domestic interest groups. Establishing uniform tariffs will increase costs for consumers in some countries and will reduce government revenues in others; standardizing domestic petroleum prices will force some governments, notably the Saudis, to take the unpopular step of increasing gasoline prices substantially; removing trade barriers between GCC member states will raise nationalistic fears of economic domination by Saudis and Kuwaitis among the smaller and poorer states. 25X1

In a period of declining oil revenues and slower economic growth, the costs of economic integration will assume greater importance than they might have even a year ago. Both Gulf governments and citizens may become less willing to accept GCC-mandated economic changes that require sacrifice. 25X1 25X1

In theory, with time the effect of these economic changes will balance out for each country, improving everyone's lot as integration fosters greater efficiency, economies of scale, and healthy competition. Most Gulf citizens, however, have become accustomed to massive government subsidies that provide basic foodstuffs, services, and utilities at far below their real cost. The long-term economic philosophy of the GCC implicitly assumes less direct government involvement. The member governments will have to be willing to take responsibility for making the unpopular decisions necessary to foster economic integration instead of blaming them on the GCC. 25X1 25X1

Military cooperation is likely to be the slowest and most difficult to achieve because of the rudimentary state of most military forces in the member countries, the long lead times necessary for introduction and assimilation of major military systems, national jealousies, and sensitivity to Saudi domination by the smaller countries. 25X1

External factors also will affect the pace and scope of GCC cooperation in the next several years. An end to the Iran-Iraq war could reduce the member countries' sense of urgency to achieve agreement on security and particularly military issues. Conversely, if Iran remained hostile after a settlement of its war with Iraq, the GCC presumably would continue to focus on the need for defense or security cooperation. 25X1

Iranian hostility toward the GCC states, particularly Saudi Arabia, has recently manifested itself in OPEC deliberations over oil pricing and production. Iran,

along with Libya and Nigeria, has flouted OPEC pricing and production agreements and has offered substantial price discounts to increase its production. Saudi Arabia and the other GCC states have simultaneously seen their share of the OPEC market decline considerably. In early 1983 the GCC countries were attempting to restore OPEC discipline on pricing and production, but Saudi-Iranian animosity and rivalry for influence within OPEC is likely to continue and will complicate the process.

The end of the Iran-Iraq war might bring Iraqi pressure for admission to the Council. North Yemen and Jordan have already expressed interest in joining. Admission of these states, but particularly of Ba'thist Iraq, would inevitably change the character of the Council, reduce its potential for meaningful cooperation, and result in its becoming, at best, a forum for empty speechmaking like the Arab League. GCC officials are acutely aware of this danger and have said privately that they have no intention of allowing Iraq or other states to join.

Public perceptions of the GCC will be important in determining its future. Currently, the GCC is widely, and correctly, perceived as a creation of and for the rulers of the member states, imposed from above without popular demand or consultation. As such, its fortunes are tied to those of the ruling families until the organization produces enough tangible economic or other benefits to develop a wider constituency among Gulf citizens.

The Kuwaitis, with the only popularly elected assembly among the Council members, are particularly sensitive to the need to develop popular support for the GCC's activities and goals. Despite Kuwaiti Government efforts to promote the organization, however, the assembly remains suspicious and unenthusiastic about the Council. GCC meetings, like Arab and Islamic ones, arouse minimal popular interest in the GCC states.

**Implications for the United States**

Because the GCC's critics, both domestic and foreign, accuse it of being a tool of US interests, its member governments try to maintain some distance from US military activity in the region. Most of these states, however, privately hope to benefit indirectly from the US buildup in the Indian Ocean and even want to acquire advanced US weaponry. Most of these states—prodded by Kuwait—would prefer a US presence that remained "over the horizon" and not so nearby in Oman. Hence, Oman is likely to continue to experience strong pressure from its GCC partners to limit, if not reduce, direct military cooperation with the United States.

A successful GCC has other implications that would affect US interests in the region. A viable Council would strengthen and give self-confidence to its vulnerable, conservative regimes, which control 45 percent of the non-Communist world's proven oil reserves, and increase the influence of a wealthy, moderate, and basically pro-Western bloc in Arab, Islamic, and OPEC forums. It would provide a vehicle for Saudi diplomacy and offer a promising (albeit problematical) opportunity to develop a regional defense effort. Finally, it would offer the US substantial political and commercial opportunities.

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